



C O R P O R A T E G E A R . C O M

**E-Commerce exchange for the branded promotional products industry**

**BUSINESS PLAN**

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# The Company

## Current Status

*Corporategear.com* is the point and click solution for the branded promotional products industry. We build the structures of collaboration between customers, resellers, vendor partners, business partners, and content providers using a branded e-commerce solution. We do not compete with anyone in the industry. Instead we seek to integrate people into our more profitable business model.

*Corporategear.com* is the first-to-market end-to-end e-commerce solution for the branded promotional products industry. Started in 1996 as Verchère Group, a sales promotion agency we grew to almost 3 million in revenues with a multi national client base including companies like Estée Lauder, Paine Webber, Iridium, and the Walt Disney Company. Verchère Group did not follow the path of a traditional agency. Instead it developed a unique infrastructure, systems, and sales plan to allow it to scale and quickly become a significant player in the industry. As a result of David Verchère's background and experience he recognized the significant potential of the e-commerce opportunity to achieve scale and dominance in the market.

In January 1999 we became *Corporategear.com* and chose to focus on building an ecommerce solution to what traditionally had been done manually. This shift represents a change in the way our industry does business. One vendor partner, when approached with the idea, said: "I've been waiting for someone like you to come. Nobody is doing this right now. You guys have the right idea." The industry is universally excited to work with us and no one without exception has refused to work with us.

Today, our model is at the vanguard. Upon hearing us describe our intentions a competitor said: "Wow, you guys jumped three curves, we should talk. Maybe we can work together." Reactions like this are common and we remain excited by what the future holds. *Corporategear.com* is a agent of necessary and inevitable change and is currently positioned to effect that change at a rapid pace.

*Corporategear.com* has two short-term objectives that we believe will create significant shareholder value in the next twelve months.

## **CORPORATEGEAR.COM**

The first objective is to create the largest on-line collection of corporate identity artwork in the world. The largest known current collection of artwork is approximately five thousand pieces. We believe that this represents a tiny number of the millions of business in the world and we intend to exponentially surpass the current leader.

The second objective is to create the largest database of real time supplier product and specification data in the world for the promotional products industry. There is currently no accurate database of product specification information in existence. We believe this to be the single most significant asset that *Corporategear.com* will create. With this asset we will control access to data in the industry.

Long term *Corporategear.com* is looking to become the single point of contact for the branded promotional product industry. After we prove and refine the scalability of several key concepts we will move to a second round of funding in order to initiate scaling. We will be a dominant branded player in the eighty billion dollar promotional products industry worldwide. Beyond this we feel that we are positioned to become a true business portal. There currently exists no dominant player in this arena. We intend to use promotional products to create the buying relationships, the marketing community and the customer service experience to position *Corporategear.com* as a contender for the great white whale of e-commerce: a dominant branded business portal.

## **Management**

*Corporategear.com* currently has six management positions.

- Founder (*Chief Executive Officer*)
  - David Verchere (insert Bio)
- Chief Operating Officer
  - Amy Foote (insert Bio)
- Director of Content and Production
  - Greg Efird (insert Bio)
- Director of Sales
  - Elisabeth Cornish (insert Bio)
- Director of Finance
  - Leah Gellis (insert Bio)
- Director of Technology
  - Brekynn Rhys (insert Bio)

*Corporategear.com* intends to hire on an as needed basis in the following order a

- Director of Marketing
- Chief Financial Officer
- Vice-President of Sales and Marketing
- Chief Technical Officer
- Chief Operating Officer
- Chief Executive Officer

Management objectives focus on actualizing the current short-term objectives while remaining focused on building trust with our customer. We believe customer service to be the single most important requirement of a successful business. Management intends to focus on two customer service promises.

- Keep the commitments you make
- Follow up on the commitments you make

Management intends to address any failure to follow these two service promises aggressively. Consistent failure to make customer service our number one priority will result in termination.

# The Branded Promotional Products Industry

## Overview

Branded promotional products are the advertising, sales promotion, and marketing communications medium that employs useful or decorative merchandise imprinted with an advertiser's identification, message or logo. These items effectively communicate a brand identity or a message and are used to create brand awareness, solidify customer relations and increase sales.

Typically the customer hires a reseller to help select a branded product for an event or promotion. The reseller locates the merchandise through established vendor partner relationships. The vendor partner manufactures or imports the items, adds the brand, and drop ships them. Business partners provide services such as financing and insurance. Content providers deliver educational and other useful information.

## Characteristics - Industry

The industry is stable with \$14 billion in estimated US sales and over 55 billion in international sales in 1998. It is growing domestically at 15% per year. The rate of growth is predicted to continue as globalization and competition increases the significance of brand identity. The size of and opportunities in this industry are not apparent due to fragmented distribution and supply channels.

Currently the industry is low tech from end to end, has no dominant business model that allows for scaling and has no recognizable national brand. The industry is a prime candidate for a branded e-commerce solution.

## Characteristics - Branded Promotional Products

There are more than 500,000 branded promotional products available. They vary from a plastic key chain to velvet lined jewelry box. Prices and quality can vary as much as the items themselves.

The selection process is often haphazard and impulsive. Presently product information is distributed via catalog and CD-ROM

Corporategear.com brings order to the current proliferation of product selection options.

## **Characteristics - Customers**

Customers rely on resellers. They have very little understanding of the industry and the buying process. Customers include:

- Corporate departments including Marketing, Communications, and Human Resources
- Not for Profit Associations
- Small businesses (business-to-business retail)
- Advertising, Branding, and Public Relations agencies
- Convention and Event Planners
- Madonna
- Educational institutions
- Entertainment and product licensees

## **Characteristics - Resellers**

The branded promotional product industry resellers are fragmented and vary significantly in size and capabilities.

- There are 15,500 reseller organizations ranging from independent sales representatives to public companies. 400 resellers had sales exceeding \$2.5mm in 1997
- Currently the reseller controls the relationship with the customer and is able to charge high margins.
- The industry sales commissions are too high to sustain marketing and branding efforts.

The existing reseller business model does not support scaling and is vulnerable to profit erosion due to high cost of sales and limited use of technology

## **Characteristics - Vendor Partners**

Vendor partners differ considerably in the range of products and level of quality and reliability they offer.

- There are over 3,400 vendor partners including small custom shops, large domestic companies and agents that represent offshore manufacturers.
- The myriad of similar products results in a trend toward commodification and an inability to differentiate between products.
- Limited marketing efforts do not reinforce repeat purchases or return customers.
- There is almost no market research for the industry.
- There is virtually no web presence beyond brochureware.
- Current industry efforts do not scale and are not cost effective.

Vendor partners realize that e-commerce will profoundly change the industry and is necessary for their continued survival.

### **Characteristics - Opportunity**

The opportunity exists to create a branded e-commerce exchange serving customers, resellers and vendor partners, business partners and content partners. This exchange offers scaling opportunities and economies not available in the traditional business model.

*Corporategear.com* is strategically placed to take maximum advantage of these opportunities by being first to market with a powerful branded e-commerce exchange.

## **Corporategear.com - Business Model**

The *Corporategear.com* business model is based on e-commerce technology that encourages a natural evolution towards more efficient and profitable commercial relationships.

We use e-commerce technology to facilitate an exchange for the branded promotional products industry between the customer, reseller, vendor partner, business partner, and content provider.

The standardized method of interaction offered by e-commerce encourages commercial honesty, as information is easily available to all parties.

### **Industry**

The *Corporategear.com* business model addresses the needs of the industry by providing:

- A selection of high value, high quality promotional products available online
- A business-to-business e-commerce offering that facilitates the selection, pricing, ordering and branding of merchandise
- An on-line industry standard data and order flow pipeline to manage the production and distribution process from beginning to end
- Support services including shipping, financing and insurance and other essential business products
- Market and customer research information
- A community environment where users share ratings and opinions

### **Product**

The products offered by *Corporategear.com* target the buyer who is motivated by value. Value is the strength of a perception of a fair return or equivalent in goods, services, or money for something exchanged.

Through its merchandising function *Corporategear.com* offers a unique selection of diverse, high quality products from the 500,000 available. Our merchandising function focuses on value. The products and ideas offered are constantly updated based on market

trends, seasonal opportunities and other event specific requirements.

## **Customer**

*Corporategear.com* provides the customer with a consistent reliable experience and provides an easy efficient way to buy branded promotional products online. We:

- Enable the customer to browse quickly through a focused set of high quality competitively priced products.
- Maintain the customer's logo and artwork in a readily available on-line library. The integrity of design is protected enabling us to expedite future orders.
- Provide the customer with the on-line ability to see their firm's logo applied directly to the product they select.
- Track the production and delivery of orders on-line giving the customer access to the order status on demand
- Create custom web pages for corporate clients to manage their branding program and products.
- Provide on-line branding and marketing education at the convenience of the customer.
- Track customer orders history and send reminders when it is time for recurring events.
- Encourage customers to provide feedback on how products worked for them.

If needed, friendly assistance with custom product orders, branding strategy and artwork preparation is available from experienced *Corporategear.com* staff.

## **Customer - Benefits**

*Corporategear.com* is organized around and focused on our customer needs. *Corporategear.com* provides customers with a fast, cost efficient and simplified e-commerce solution to promote their brand. The customer is integrated into a web community of people with similar objectives and experiences.

The customer benefits because *Corporategear.com*:

- Provides an easily accessible processing and sourcing solution in today's increasingly competitive brand promotion business environment.

- Reduces the selection and customization time by enabling the customer to point and click to see their logo on the product they selected.
- Provides a consistent presentation of the brand identity.
- Cuts cost, saves time, increases quality and adds value to the customer experience.
- Supplies the tools that lower the barriers to entry for the customer to promote their brand and corporate identity effectively.

This experience gives the customer a competitive advantage over someone using the traditional business model.

## **Reseller**

*Corporategear.com* provides resellers with the opportunity to leverage their sales efforts by streamlining the process of sourcing and pricing product selections and automating tedious administrative tasks. We also provide the tools to increase sales volume as well as profits. They include:

- A selection of high quality products from reliable vendor partners
- Timely information on new products
- Seasonal and special offers
- Quick response to custom pricing and product inquiries
- On-line order tracking to monitor delivery commitments
- Low cost shipping, insurance and financing options to reduce costs and improve service
- Customer ordering, demographic and usage data and market research information
- Information on products viewed on-line vs. products actually purchased

## **Reseller - Benefits**

*Corporategear.com* allows the resellers to leverage their time and capabilities with a resulting increase in their profits. The resellers benefit from:

- Real-time access to product data, compared with the current availability of quarterly or monthly CD-ROMs
- Guaranteed pricing from suppliers available online.
- A lower cost service with reduced administration and a shorter sales cycle.

- Product sorting and sourcing efficiency from a selection of reliable vendor partners.
- Financing options, which result in, increased cash flow and reduced credit risk.
- Marketing and demographic information about their customers.
- A low cost, no investment technology solution to manage marketing, contact management and back office processes.

## **Vendor Partner**

Vendor Partners currently use a catalog CD-ROM or a database to disseminate product information and prices. A frequent result is in out of date product information and incorrect prices. The *Corporategear.com* business model:

- Collects, houses and distributes product and pricing information
- Enables vendor partners to update pricing and product information on-line and on demand
- Tracks order, production and billing information flow and makes this information available on-line.
- Arranges financing to eliminate accounts receivable and credit risk.
- Records customer, ordering, demographic and usage information.
- Shows which products are viewed vs. purchased.
- Provides vendor partners with an instant, easy to implement, inexpensive, e-commerce presence. If required creates and maintains unique vendor partner web sites and data links.

## **Vendor Partner - Benefits**

*Corporategear.com* offers vendor partners an easy to procure accurate and efficient e-commerce technology solution that reduces costs and increases profits. Currently this segment of the industry is under serviced and depends on the reseller for the interface with the customer.

*Corporategear.com* enables vendor partners to

- Increase exposure to customers and lessen dependence on the individual reseller as a source of business
- Have a presence on the web
- Build and update an on-line product and pricing database with no significant technology costs.

- Provide real-time price quotes which is presently a time consuming and costly process
- Notify distributors of new products or pricing without having to wait for the circulation of brochures, catalogs, or CD-ROMS.
- Capitalize on the latent need to implement easy and inexpensive web-based production tracking and process flow capabilities including reports tracking product and customer profitability
- Reduce costs by accessing low cost support services such as shipping, insurance and financing
- Develop new products based on market research information
- Reduced error rate using a precise order specification method

## **Summary**

*Corporategear.com* is the first to market with a complete branded e-commerce solution that addresses the needs of the branded promotional products industry from end to end.

The *Corporategear.com* business model makes the exchange between the customer, reseller and partner a high quality, cost effective and efficient process. As a result the consumer experience is simple, reliable and consistent, and the costs of doing business are lowered throughout the industry.

The whole industry benefits because *Corporategear.com* business model has services to:

- Develop an on-line community to promote the branded promotional product industry.
- Provide education about branding and the industry.
- Streamline and automate the order flow process. This pipeline is the first on-line industry standard for managing the selection, ordering, production and distribution process from beginning to end.
- Reduces costs by using technology to better automate and integrate the currently fragmented ordering, tracking and billing processes.
- Facilitate low cost shipping, insurance and financing within industry.
- Ensure a high quality consistent experience within the industry.

## **Branded Promotional Products Market**

### **The Market today**

The branded promotional products sector of the advertising industry provides unique marketing opportunities. Branded products are easy to understand and are useful in meeting many marketing objectives such as announcing a name change or building a company image.

The personal touch inherent in gift giving makes branded product advertising a high-impact tool when used in conjunction with other media. Typically they are used with:

- Building brands
- Launching products
- Reminder advertising
- Improving customer relations
- Increasing traffic and awareness at trade shows
- Safety programs
- Annual meetings
- Seasonal events

The branded promotional products market is a growing market. There is an increasing focus on creating brand identity as an important part of Internet marketing. Sales in the US were \$14 billion in 1998 and are predicted to grow at an annual rate of 15%. Sales worldwide were approximately \$80 billion.

### **Market Process**

The customer usually hires a reseller to help select a branded product for an event or promotion. The reseller locates the merchandise through established vendor partner relationships. The vendor partner manufactures or imports the items, adds the brand, and drop ships them.

### **Customers**

Customers increasingly expect more value from their purchasing experience. These customers include small businesses, corporate

departments, associations, advertising, branding and public relations agencies, and convention and event planners.

Customers expect a high quality product that promotes their brand. They want a predictable and convenient experience. They are often frustrated because they have to rely on the reseller for the options and flow of information.

Currently customers have low expectations of resellers, viewing them as primarily product sales people rather than advertising experts. They expect the reseller to find favorable prices, produce samples and ensure timely delivery. Customers do not differentiate between resellers and do not have any contact with vendors.

Corporategear.com expects customer usage patterns to include:

- Casual users who browse the web and purchase a product on-line
- Account holders who buy on a repeat basis.
- Large account administrators who are major customers and want to be serviced by a reseller.

Buyers in this market remain price conscious. In a study in the Counselor magazine Human Resource Managers and Purchasing Managers were asked what motivated them when choosing promotional products. They gave low ratings to reseller recommendations and rated price as their highest concern. They were happy choosing products from a catalog. These are perfect customers for *Corporategear.com*. They require little assistance and are most concerned with cost.

## **Resellers**

The reseller market is extremely fragmented and is based on a traditional, sales driven business model. There are approximately 15,500 resellers, and about 15,100 of these resellers are 1-2 person independent organizations. The majority of these resellers are family owned businesses and are often dependent on one or two large customers.

Only 400 of 15,500 resellers have annual sales greater than \$2.5mm. Almost all of these larger reseller organizations are roll-ups of smaller companies

Resellers control the relationship with the customer and are attempting to become consultants and identify marketing opportunities that can be addressed by a creative branded product

promotion campaign. Customers are not responding to these initiatives and continue to view resellers in the same optic as car salespeople.

Presently resellers represent the vendor partner. They work on commission basis and sales commissions are, on average, 10-15% of gross revenues. They operate with high margins necessitated by the unsustainable high commissions and operation inefficiencies. The high commissions and markups are unsustainable for e-commerce.

## **Vendor Partners**

Vendor partners are a fragmented group with little sense of how e-commerce could affect their business. They know they should have an Internet presence but are not sure how.

There are approximately 3,400 vendor partners. Typically the largest 25 vendor partners use the largest 400 resellers. International vendor partners are usually represented by agents who act as importers.

### **Vendor Partner Issues**

- Vendor partners typically have no contact with customers and rely on resellers to reach customers.
- Vendor partners spend significant amounts of effort and dollars providing pricing quotes and samples to resellers.
- It is difficult for the vendor partner to gather any product or customer market research or customer buying pattern information.
- The reseller sees vendor partners as easily interchangeable and does not differentiate between them

## **International Market**

There are unique opportunities in the international market. For example South African corporations spend more on promotional products than US corporations. Cultural Mores in Japan promote gift giving, making Japan one of the largest buyers of branded promotional products in the world.

International market size and characteristics include:

- In Europe the 1997 revenues were \$15 billion, in Brazil \$4 billion, in Australia \$375 million, and in Asia \$35 billion
- Japan comprised 50% of the Asia revenues due to their cultural tradition of gift giving.

- In Asia there are virtually no trade associations or industry groups
- Hong Kong relies on huge, antiquated database run by Trade & Development Commission
- The international market tends to lag the US market by 5 years

## **Market Trends**

The following marketing trends are very favorable for *Corporategear.com*

- Branded promotional products are adopting a more active role in marketing as mass media such as print and television, integrate with other promotional efforts.
- Brands are growing in importance as marketing tools.
- Resellers are trying to become full-service sales promotion agencies and facing competition from existing integrated marketing agencies.
- The individual experience is becoming more important. Branded products provide a personal touch and as such are a high impact-marketing tool.
- Customers are demanding increased customization and personalized service.
- Internet technology and digital communications are providing new opportunities and changing customer buying patterns.
- The experience of other industries is that the use of the Internet expands the market.

## **Competition**

The competition in the promotional products industry is fragmented. It falls into two main categories: resellers of branded promotional products, and resellers of product information.

There is no competitor that offers a complete range of products, services and information to the branded products industry. *Corporategear.com* is unique in that it manages the customer's needs from beginning to end.

Typically competitors are using the web as an adjunct to their existing business model. They are attempting to force fit an old business model that has inherent problems into an Internet business model. This has the potential for inefficiency because the

existing structure and culture can not meet the needs of both the new and old – they are in conflict.

## **Resellers of Branded Promotional Products**

Ha-Lo is a large public company with annual revenues of \$400 million. It is a conglomeration of more than 50 different resellers. Ha-Lo has begun building email relationships with Latin American clients and has an international presence. However Ha-Lo's web page is not presently interactive and is similar to a company brochure

Cyrk is large a public company with annual revenues of \$679 million in 1997. It offers a full service personalized option including - create, design, plan, and source products for an entire promotion. Cyrk specializes in providing solutions to large companies. It presently has an a website that is not interactive.

There are about 400 mid-range companies with annual revenues of 2.5 to 10 million. They typically offer a full service option to their customers. Venture Channel Group and some other mid range resellers have catalog type, non-interactive web pages.

The bulk of the competitors are small resellers with revenues less than \$2.5mm per year. They are typically 1 – 2 person family owned organizations that do not use technology in sales or operations. Their marketing and sales efforts are usually through personal relationships and they are often dependent on one or two major customers.

## **Resellers of Branded Promotional Product information**

ASI – Advertising Specialty Industry. ASI has attempted to build a rudimentary industry database. It catalogs every vendor partner's product line in huge reference catalog. It is a difficult task to keep this current. It treats every reseller and vendor partner the same regardless of size, revenue or quality. The information is distributed by CD-ROM and is updated quarterly. ASI charges at least \$3,000 per year for the use of this information.

Impact consolidates vendor partner data and has amassed 30,000 product images They charge about the same and offer many of the same services as ASI, however the information is more visually appealing. The information is distributed quarterly on CD ROM.

Impact treats all resellers and vendor partners equally regardless of size or revenue. They have limited Internet presence.

## **Corporategear.com Competitive Advantage**

*Corporategear.com* is building an organization that focuses an e-commerce solution to a data and order flow management problem. The potential of conflict between old and new business model does not exist because we are not integrating with any legacy systems.

*Corporategear.com* is the only comprehensive industry solution including high quality products, current and accurate information and support services with the result that the customer has a consistent, reliable and productive experience. Due to the scale and efficiency of the *Corporategear.com* business model, this experience can be provided at a cost below current industry levels.

The *Corporategear.com* competitive advantages include:

- First to Market
- Value and reliability in purchasing quality products.  
*Corporategear.com* satisfies these requirements better than the traditional industry business model.
- An interactive e-commerce solution that streamlines processing and creates an efficient new buying experience.
- A selection process that provides solutions such as suggestions for a product launch or a sales meeting.
- Storage of corporate artwork in easily accessible libraries.
- Faster and broader access to customers for vendor partners
- Leads and new business for resellers through *Corporategear.com* marketing efforts.

## **Barriers to Entry**

The barriers to entry created by the *Corporategear.com* business model are significant, as they are unique to the industry.

*Corporategear.com* is the first in the industry to:

- Maintaining a database of customer artwork and branding criteria.
- Develop a branding strategy resulting in brand loyalty to *corporategear.com*.
- Be the main source of vendor partner products & pricing information.

- Develop relationships with key industry content providers.
- Develop exclusive relationships with resellers who in turn feed business to reliable vendor partners thus giving them an advantage over their competition.
- Implement an end to end order flow pipeline which will be the first industry standardize the order, production and distribution process from end to end.
- Use the efficiencies of automation to lower costs.
- Use economies of scale in negotiating relationships with business partners.
- Maintain and make available customer credit information
- Raise customer expectations by providing high quality products, timely delivery and low price

# **Strategy**

## **Overview**

The overall strategy is to create a new business model for the branded promotional products industry. The objective is to rollout *Corporategear.com* to the entire market place as quickly as resources allow. We believe that there is a significant first to market advantage to be had in this unsophisticated industry. Currently user expectations are on par with those in the used car industry. By raising these expectations quickly and significantly we intend to claim critical mind share and take the lead in establishing future direction in this industry.

The strategy includes a plan to grow with a potential for profitability and generate revenue from every component of every transaction channel. We intend for promotional products to act as our Trojan horse giving us access to decision-makers in business purchasing positions. As the average purchase is around two thousand dollars, a person with spending authority must make this bottom of mind decision. Our goal is to target these decision-makers with a wide array of options to spend between two and fifteen thousand dollars on their business. From supplies to services we intend to offer a complete range of options for the new generation of independent thinking entrepreneurs acting within larger organizations. The revenue potential from a decentralized purchasing system, which can be mass customized from industry to industry, is infinite.

*Corporategear.com* recognizes the value and the leverage of outsourcing and working with business partners. We do not intend to develop services that already exist. Instead we intend to develop relationships with business partners and integrate existing services such as shipping, insurance, financing into the *corporategear.com* business model. While we understand that outsourcing is essential to our continued success, we intend to be a customer solution business. Keeping customers satisfied with their experience is paramount to increasing shareholder value. In a commodified relationship the value added is always service.

Included in good service is keeping the promise of the brand. Our strategy includes a plan to develop the *corporategear.com* brand so that it is the dominant brand in the industry. Currently this industry has no significant brand presence. By creating a symbol of excellence with two guiding principles we will generate ever-

increasing customer loyalty. When it comes to our customers, we don't make promises we can't keep and we follow up on our commitments. Our brand can extend across almost all business and organizational products and services from office supplies to facilities management and legal services to document management.

## **Product Strategy**

Our product strategy positions *Corporategear.com* as the branded promotional product solution for the classic, traditional buyer who has an eye on the best quality for the best price.

*Corporategear.com* offers value merchandise while simplifying the selection and branding process.

Efficient organization of the search and selection process will vastly increase the speed with which product will come to market.

While *Corporategear.com* will make available vast quantities of product information to our resellers, we intend to narrow the online selection to a more manageable range of options on a per customer basis. By focusing and mass customizing the range of products viewed by our customer we will create a personal store based on demographic buying trends and past purchases. We intend to only show each customer what that customer will most likely buy.

## **Customer Strategy**

The strategy is to deliver customized products along with personalized attention providing excellent service and raising expectations so the customer will come to depend on us for their entire branded promotional product experience. Going forward, we intend for the customer to think of *Corporategear.com* as a first stop when looking for information about business products and services.

Additionally we want the customer to feel part of a community that is dedicated to promoting and developing their brand and their business. Examples of how this community is developed are venues to exchange ideas and experiences, branding strategy education, business updates on relevant industry topics and loyalty inducements. We intend to partner with existing providers of quality business and branding content.

We believe customer service to be our top priority. We intend to run 24/7 multilingual customer service. Our customer solution

representatives will be compensated based on customer satisfaction and incidence of repeat business. We intend to target the New York artistic community to populate our customer solutions positions. We believe that the position requires an intelligent individual who possesses an outlet for their creative expression. By its nature the job is tedious and repetitive - we intend to create an atmosphere where creative people can feel a sense of belonging and gratitude for a source of revenue which allow them to continue pursuing their dreams. In exchange we will benefit from a customer service population that can connect with our customer base in the same way a performer connects with an audience.

One of the most significant barriers to entry that we intend to create is the artwork library. By collecting corporate identity artwork from as many organizations as possible we will create the largest, best-organized library of company logos in the world outside of the patent and trademark office. With the customer artwork already on file we and accessible we intend to allow the end user to see the items branded with their identity on-line. We believe this to be a powerful selling tool as well as an inducement for repeat business. One click ordering is a reality when the all the customer information already exists on our servers.

## **Reseller Strategy**

The reseller strategy must take into account the trend towards decreasing margins in the industry. We intend to use two channels of distribution to hedge against any significant shifts in the market dynamics caused by declining margins.

The first reseller relationship we intend to cultivate is the 15,100 small ASI Distributorships. We will gain entry to these existing client relationships and with an inexpensive packaged solution including product sourcing and back office operations. We intend to offer our services as modules, rather than as a total package. This range of services will allow the reseller to focus on marketing and sales, rather than tedious sourcing and administration. We feel that this approach will better integrate the existing reseller community as they can control how they use and pay for the services.

Traditionally resellers added value only through specification and selection. As the current reseller population is fragmented and under qualified we have identified a second reseller relationship. We intend to focus a significant amount of our reseller marketing towards advertising agencies and other service bureau organizations that add value to the integrated marketing process.

We believe that by giving these agencies a new media product to sell we will create a sustainable reseller population.

By allowing for a range of resellers adding value in a range of ways we intend to create as many distribution channels as possible. While channel conflict is inevitable our goal is to drive the end user into a relationship with *corporategear.com* where the reseller must add value to sustain their relationship with the end user. The reseller who chooses only to recycle our service will face competition from the increasing technical ability of the web site product and from slowly decreasing margins in the industry.

There exists the possibility that the first group of resellers will create their own web sites and use our data to populate their site and our back office to manage their production. We will continue to generate revenue from these resellers while undercutting their pricing slightly. We intend to price our data and back office services accordingly so as to encourage competition while not allowing for any reseller to undercut our pricing except on an incidental basis. The branded vs. non-branded reseller issue will be addressed through pricing. We intend to offer our branded resellers better pricing than our non-branded resellers. We believe that we can control the competition through pricing arrangements which will be less expensive than setting up the database themselves but costly enough so as not to allow them to undercut *Corporategear.com*.

## **Vendor Partners Strategy**

The strategy is to provide vendor partners with a unique industry e-commerce end-to-end business solution. This includes a web interface allowing them to reach more clients, a database for products and pricing information and an end to end data and order flow pipeline to manage the production and distribution process.

By reselling this information to the marketplace we intend to become the industry standard for data distribution. We believe that vendor partners will only want to enter their data so many times into a reseller database. By being first to market with this do-it-yourself product we intend to capture a significant portion of the vendor partner community with an easy solution to managing their product data information needs and their workflow processes. By offering to resell this data we will create an incentive for vendor partners to continue entering their data into our system and to maintain this data as accurately as possible.

With regard to the globality of the vendor partner strategy we intend to pursue relationships with vendor partners in low cost labor markets like Bangladesh and southern China. By gathering vendor partner data in as many markets as possible we intend to enable vendor Partners to trade amongst each other as well as with resellers and end users. Long term our goal is to amass a significant amount of vendor partner data in as many markets as possible. Ultimately, this collection of data will allow us to compete locally on a global scale.

### **Business Partner Strategy**

The plan is to leverage the web site by using it to develop additional sources of revenue from business partners. Services such as shipping insurance and financing will be offered to facilitate the order process and lower costs. We will also resell related educational materials, books, and conferences, and of course advertising on our web site.

Included in the possibilities of products offered to our customers are financial products like financing, insurance and business loans. In a paradigm shifting towards a zero margin transaction other sources of revenue from more sophisticated products will become increasingly important to increasing shareholder value. By creating a revenue model, which is tied to the rise and fall of interest rates, we hedge ourselves against an economic downturn. As interest rates rise and buying volume decreases our net revenues are sheltered from the downturn by increasing profits from higher costs of borrowing.

We intend to offer a variety of shipping services including allowing the customer to use their own accounts and track their own shipping costs. We believe that shipping can be a profit center but that we must not rely on it to provide significant revenue in the future. As the technology becomes more adept at identifying abuses in shipping costs we intend to include a handling fee to offset the costs of processing the shipping requests. We intend to be up front with our charges as we are with other service fees on the site.

We believe that a great many opportunities will arise to offer revenue generating goods and services online and we intend to capitalize on as many as fit our branding strategy.

## **Content Provider Strategy**

Content is the most important element of any ecommerce strategy. We intend to focus on being a leader in the aggregation of content for our industry. Our content strategy has three initial areas of focus as well as a forward-looking strategy to make content a priority. Ultimately, we want to redefine the business purchasing experience for the entrepreneur like Disney redefines being a kid.

Our first area of concern in our content strategy is the selection process. We intend to package our data in an appealing and useful way in order to appeal to all elements of our constituency. We intend to group items that relate to each other and to a specific area of corporate endeavor together, rather like bed sheets that are sold in sets. Our commercial transaction experience transcends mere acquisition. We intend to create a set of tools that learn about the users habits and deliver an integrated experience.

Our first efforts at integrating the user experience will be to deliver information about tradeshows around the country and create a resource for tradeshow information as it relates to promotional products. We intend to offer other trade show resource sites space on our pages in exchange for content on their sites. Rather than providing a link we will provide an entire resource to manage an experience. We intend to brand our content thereby establishing ourselves as an industry standard from promotional products. We feel that we will be more attractive to partners by offering content that enriches their site instead of paying them to take traffic away from their site.

Subsequent efforts will include other content sites that offer promotional product buying opportunities like sales education, event planning and sport sponsorships. We believe that there exists a significant opportunity to be a content provider for other vertical components of the integrated marketing industry.

The second area we intend to focus on is customizing sites for resellers. In efforts to provide larger companies with the technology to control their brand as it relates to their promotional product activities we have initiated discussions with large branding companies like Landor and Prophet. These are the agencies who develop the identities for companies like Fedex and Citigroup. Currently the implementation director for Landor in San Francisco is consulting with us in order to develop a strategy to use Corporategear.com technology to power the promotional product sites for large organizations. As a result of this relationship

Corporategear.com will become a Landor approved product. This will position us to become the premier content provider for major multi-national corporations as they redefine their brand strategies. As well this exercise will allow us to achieve considerable recognition in the advertising industry as the promotional products solution for large companies.

Third area we intend to develop is educational resource about the branding, marketing, direct mail and sales promotion industries. We believe that by consolidating the available resource and beginning to develop a consistent look and feel to the industry resources we will be able to define the promotional product experience more thoroughly. By using the interactive technology available to us we know that we can take a leadership role in the repackaging of industry information

## **Sales and Marketing**

### **Sales**

The focus of sales efforts will remain consistently on the registration process. We believe that once a customer is registered they are (research) more likely to choose *corporategear.com* to make their next promotional product purchase. Our sales strategy is predicated on the belief that organizations succeed by targeting a narrow focused group of customers with a valuable set of product. Traditionally, in the Branded promotional products industry the client is told that any product is available and any process can be made possible. This diversity of options leads to significant variability in job profitability. We believe that by standardizing the options we can increase productivity and profitability on a per job basis.

Account managers in our custom solution department will offset the short term reduction in volume and customer service that will occur during the process of gathering product data and building technological capacity. These account managers will answer the phone and be available to assist customers with any requests they might have. We intend to charge accordingly for projects that fall outside the scope of our technology and our data set. We will never say no and we will be loath to take a job which cannot be made profitable.

In order to generate near-term volume though our new and potentially unnerving process we intend to incur high customer acquisition costs during the first six months trending downwards as the user base increases. As the shift from new customer to repeat user occurs we intend to shift our resources toward customer retention.

For the first six months *Corporategear.com* will offer one hundred dollars to any person who registers a user who purchases more than one thousand dollars before the end of 1999. We do not intend to aggressively promote this strategy to the general public as we feel that it dilutes our brand's prestige. Instead of offering financial incentives to our users to register other users we will create other incentives that follow a brand positioning strategy. We believe that by offering other merchandise of value, like American Express offers a selection of prestigious branded merchandise to its customers, we can create an enormous part time sales force.

Our customer retention strategy is the most important element to our sales strategy. There is no point devoting resources to customer acquisition if we cannot service and grow the customers we already have. When a customer registers, we will ask them to opt in to a variety of levels of communication -- both by email and regular mail. Our ongoing communication with each customer will then be tailored to the level of permission granted. First, we'll always say thank you and add in a gift with purchase when a customer first buys something. A week later, we'll email an extra thank you note from the president. That note will include a gift certificate with a customized value depending on the value of their first purchase. If they buy for a second time, we'll send them another gift. But this time, instead of including it with the order, we'll send it under separate cover. If they buy for a third time, we'll invite them to become a member of our 5% club. They'll get an extra five-percent savings on everything they buy. We intend keep on investing to keep our customers happy. We are keenly aware that these are the people responsible for almost all of our profits.

Going forward our sales force will include people devoted to resellers and to vendor partners, as well as some key account managers. We envision our current grass roots missionary efforts to be taken over by marketing in the not too distant future, but we believe that for the first few thousand times that a customer uses our site we want that experience to be friendly, personal and in the company of someone they know and trust. If we can create a group of a few thousand believers who feel like they are a part of

*Corporategear.com* then we will have a model that works, customers who are happy and revenues to prove our concept.

## **Marketing**

The Internet is a word-of-mouth medium. There are no dominant content providers and everyone from Matt Drudge to CBS has equal time and access to the consumer. We believe that traditional methods of reaching consumers (research) are less effective sales tools on the Internet than the leveraging of word of mouth.

Our target market for the first six months will be the New York metropolitan area. Operating on the "if you can make it here, you can make it anywhere" theory. We intend to target users in the finance, cosmetic, healthcare and technology industries. We already have hundreds of contacts in these industries from our Verchere Group days as an integrated marketing agency and we intend to use these as a jumping off point to establishing a foothold in multinational companies in the New York area. We feel that if we can establish our brand in a group of large corporations then

Our early sales strategy of targeting customers on an individual basis works well to launch the process and the concept, however this model does not scale. Our marketing strategy will certainly evolve over the next few months as we prove our concept. We do know that it is not simply a matter of if you advertise they will come. We intend to develop a marketing department who will devise many strategies to encourage users to come to our site. In an industry where the concept is unproven we believe that by first casting many small net into the sea we will discover where the fish lie. Research is the most important tool in marketing and we intend to find agency partners who share our belief. "Let's buy some ads and see what happens" is not a marketing strategy we intend to implement.

One of the most effective way to encourage someone to talk about your product is to reward them for it. Credit Card companies and Airlines have figured out that you can build customer loyalty by offering rewards for repeat business. We intend to do the same for our customers. We believe that the best advertising is a happy customer who tells another person about our service.

Loyalty programs are also useful for positioning a brand in relation to other brands. For example if we offered free car rental from Ed's Rent-a-wreck our brand's equity might suffer from somewhat diminished circumstances. If however, we gave away a diamond ring from Tiffany's every month then *Corporategear.com* would

benefit from being associated with a message of quality and tradition. By carefully positioning our brand alongside of other household symbols of trust, excellence and tradition we intend to make *Corporategear.com* a proud symbol of good things as well as a harbinger of kept promises. By offering rewards to our customers who use our services and encouraging them to refer business we will create a loyal base of registered users. Registered users remain considerably more likely to be repeating buyers and loyal customers than shoppers who come and go.

As we create a marketing department we will hold to two basic principles. The first being that our brand is our most important asset and we must do everything to protect it and the second being that any communication with our customers must be simple enough for a five year old to understand what we're saying.

## **Public Relations**

The focus of our public relations efforts will be directed at the major metropolitan areas where population is concentrated around business centers. Word of mouth is our most important and least expensive means of communication. We intend to leverage word of mouth as effectively as possible. Initially, we believe that by going to a lot of events and just talking about our process and our offering we can generate considerable excitement.

Obviously this strategy does not scale and will eventually drive management to alcoholism and obesity. We intends to move quickly towards finding a public relations agency that understands our market and than can create current excitement about our offering. By positioning a variety of our offerings as current affairs we believe we can generate revenue and attention through human interest. We currently have an opportunity to participate in a *60 minutes* story about women and ecommerce, we intend to seek out more opportunities like these and create a human interest in our business model, not just a consumer interest in our products.

The basis of our public relations strategy is to tell our story in the most compelling way possible. We want to be interesting and sexy. We need to sell our industry, our customers, our vendor partners, our process and ourselves and our content as much as we sell our product. *Corporategear.com* is the corporate extension of a group of people who believe in a simple concept. - Point. Click. Brand.

## **Branding**

In an industry driven by technological advancement, familiar touchstones become increasingly important to a sense of community and continuity. We intend to be that touchstone. Initially our branding strategy will focus on our principal identity and our tagline. We have engaged a branding consultant from Landor Associates to help us focus our thinking and direct our strategy.

As we move forward we will need to resolve some complicated co-branding issues. The partnering agreements with our vendor, business and programming partners will be more beneficial to us over the long term if we implement a consistent co-branding strategy at the beginning of the relationship. We know that most Internet business have a chaotic branding strategy and choose to focus resources on technology rather than branding. By being very aggressive and uncompromising with our identity we feel there is an opportunity to dominate other nascent brands with an effective co branding strategy. We intend to use price to aggressively position our brand as boldly as possible in relation to other brands in the industry.

(show Pictures)

We have two identity options to use for various branding situations we encounter. The first option is the use of our logotype and symbol alone or along with *Corporategear.com* branded products. This option is our preferred choice as it gives us the maximum visibility. Secondly we would consider using our logotype and symbol along with *Corporategear.com* branded products beside another identity. This is our preferred co-branding solution for all resellers. Other co branding options involve using combinations of the "**Point. Click. Brand.**" trademark and our service mark "**Powered by Corporategear.com.**" Various combinations of these marks will be explored as we move forward and integrate our service into a variety of reseller situations.

Our mission is to make our brand the dominant identity in the business services industry. A promotional product purchase experience is the beginning of a long-term relationship with buyers of business services. We believe this brand could extend horizontally across many industries as a business services exchange or vertically through the advertising industry as a marketing goods and services exchange. Either direction is a long term vision and will not detract from our initial focus on the Promotional Products industry.

(Show Visual)

## **Infrastructure**

### **Technology**

Attachment #10 is a current list of the technology we use to maintain our business. We are currently running 20 Workstations on an NT platform. Our core applications are hosted at Exodus Technologies on two IBM Netfinity 5500 Servers with appropriate firewalls and routers. Offsite back ups of mission critical data occur weekly and disaster recovery procedures are in place. We are Y2K compliant to the extent reasonably possible. We have chosen to use Microsoft technologies where able to minimize risk and eliminate reliance on obscure technology.

### **Physical Plant**

We current carry on business at 411 West 14<sup>th</sup> Street in the City of New York. These offices will allow us to grow to around 30 people before we need to move. We share a 5000 sq. ft. with a design company who is currently being very accommodation in terms of allowing us to use extra space of theirs on an as needed basis. We plan to stay in our current space as long as possible and we are considering working through some arrangement with our neighbor to accommodate us long term.

### **Human Resources**

Attached at # 11 is an organizational chart that shows how we intend to grow to just under fifty people. Our principal areas of growth will be in the areas of marketing and account management. We believe that smart people can learn a job faster than experienced people. This is a new industry that changes daily. We deliberately target intelligent, hard working people and train them to create new way of addressing challenges. Everyone who works at *Corporategear.com* has made a significant contribution to the functionality of the application. An atmosphere of freedom of abstraction allows for team growth and development.

## **Revenue Model**

The objective is to generate revenue from every component of the distribution channel and from complimentary business services.

### **Assumption**

- *Corporategear.com* is a facilitator and integrator building the structure of collaboration
- *Corporategear.com* does not maintain inventory except for items branded with CG identity used as samples
- Cash flow is positive
- Order and service financing is through credit cards and 3<sup>rd</sup> party financing
- Revenue sources are diversified
- One price list is available for customers and resellers. Resellers are offered a discount from list. The size of the discount depends on the amount of business placed with *Corporategear.com*
- The customer base is diversified and not dependent on a few entities for revenues

### **Revenue from product sales**

Sale of branded merchandise, samples, and fulfillment services ordered through *Corporategear.com* web site. Revenue varies depending on whether the order is from a customer or a reseller

### **Revenue from resellers**

Reseller subscriptions to use pricing and product data  
Reseller fees to use on-line order and tracking services

### **Revenue from vendor partners**

Vendor partner subscriptions to house product information and prices  
Fees from vendor partners to provide price quotes to 3<sup>rd</sup> parties  
Vendor partners license fees to use order process tracking system

### **Revenue from custom products and services**

Artwork development  
Vender partner web page development  
Branded promotion strategy  
Custom products  
Customer web page development

**Revenue from business partners**

- Advertising on the web site
- Commission on delivery charges
- Commission on insurance premiums
- Percentage of financing charges
- Sales of related items such as books and conferences

## **Investment**

**Use of Proceeds**

**Technology Investment**

**Identity Investment**

**Infrastructure Investment**

**Scaling investment**

**Description of Offering**